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FARMERS HOME

ADMINISTRATION

Strengthens Family Farms
Strengthens Rural Communities
Reduces Rural Poverty

OPERATING
LOANS

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PA-705

FARMERS HOME ADMINISTRATION
UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C.

FARMERS HOME ADMINISTRATION

The agency's programs provide financial and management assistance to strengthen family farms and rural communities and reduce rural poverty.

Operating Loans

Operating loans are made to eligible operators of not larger than family farms, to assist them in making improved use of their land and labor resources and make adjustments necessary for successful farming. Funds may be advanced to pay for equipment, livestock, feed, seed, fertilizer, for other farm and home operating needs, to refinance chattel debts, provide operating credit to fish farmers, carry out forestry purposes, develop income-producing recreation enterprises, and establish non-farm enterprises to supplement farm income.

Each loan is scheduled for repayment in accordance with the borrower's ability to repay, over a period not exceeding 7 years. The interest rate is $6\frac{5}{8}$ percent.

A borrower's total principal indebtedness for operating loans may not exceed \$35,000.

Farm Ownership Loans

Farm ownership loans help family farmers obtain the resources needed to improve their living conditions and farm successfully. These loans are made to buy farms or land to enlarge farms; construct or repair buildings; improve land; develop water, forestry, and fish farming resources; establish recreation and nonfarm enterprises to supplement farm income, and refinance debts.

The interest rate is 5 percent; repayment period may not exceed 40 years.

A borrower's total indebtedness on the farm, including the loan being made, may not exceed \$60,000 or the normal value of the security, whichever is less.

Recreation Loans

Loans may be made to individual farm operators and owners regularly engaged in farming to convert all or portions of their farms to recreation uses.

These loans are made to buy and develop land and water resources, build and repair buildings, and pay other real estate and operating costs for outdoor recreation uses. Loan funds may also be used to refinance secured and unsecured debts.

The interest rate is 5 percent; repayment period may not exceed 40 years.

A borrower's total indebtedness on the farm, including the loan being made, may not exceed \$60,000 or the normal value of the security, whichever is less.

Soil and Water Conservation Loans

Loans are made to eligible individual farm operators and owners to develop, conserve and make better use of their soil and water resources.

A borrower's total indebtedness on the farm, including the loan being made may not exceed \$60,000 or the normal value of the security, whichever is less. The interest rate is 5 percent; repayment period may not exceed 40 years.

Water and Waste Disposal System Loans and Grants

Loans and grants for the construction of rural community water and waste disposal systems are made to public bodies and nonprofit organizations.

A borrower's total indebtedness for these loans, together with any assistance in the form of a grant, cannot exceed \$4,000,000. The maximum term is 40 years. The interest rate cannot exceed 5 percent. A grant cannot exceed 50 percent of the development cost.

The projects can serve residents of open country and rural towns of not more than 5,500 population.

Similar loans can be made for the development of rural recreation areas including facilities for swimming, golfing, boating, fishing, and camping.

Loans to Rural Groups for Soil and Water Conservation and Shifts in Land Use

Loans are made to eligible groups of farmers and ranchers to develop irrigation systems, drain farmland, and carry out soil conservation measures. Loans may also be made for shifts in land use to develop grazing areas and forest lands.

Each loan is scheduled for repayment in accordance with the borrower's ability to repay, over a period not exceeding 40 years. The interest rate cannot exceed 5 percent. An association's total indebtedness cannot exceed \$4,000,000.

Rural Housing Loans

Rural housing loans are made to farmers and other rural residents in open country and small rural communities with population of not more than 5,500. Low and moderate income families who live in a city and work in a rural area also may qualify for loans. Loans are made to build and repair needed homes and essential farm buildings, purchase homes or buy sites on which to build homes.

Families who do not have enough repayment ability may use cosigners to assure loan payments.

The maximum term is 33 years. The interest rate varies, but in most cases does not exceed 6¼ percent. For lower income families the interest rate can be reduced to as low as one percent. The actual rate depends on the size of the family and its income.

Loans are also made to provide rental and cooperatively owned housing in rural areas. Funds may be used to build, buy, improve or repair rental or cooperatively owned housing designed to meet the needs of senior citizens who are capable of caring for themselves, and of other low or moderate income families.

Such loans usually bear 6¼ percent interest with a maximum term of 50 years, and must be for occupancy by senior citizens and other rural families with not more than moderate incomes. These loans may not exceed \$300,000.

Loans are also made to individual farmers, groups of farmers, and public or private nonprofit organizations to finance housing facilities for domestic farm labor. The interest rate is 5 percent. The maximum term is 33 years.

Grants may be made to public bodies or broadly based nonprofit organizations to help finance housing facilities for domestic farm labor. It is expected that such grants will not be more than half the cost of the project.

Emergency Loans

Emergency loans are made to eligible farmers in designated areas where natural disasters such as floods and droughts have brought about a temporary need for credit not available from other sources. Loans may be made for the purchase of feed, seed, fertilizer, replacement of equipment, livestock, and for other items needed to maintain normal operations. Loans may not be made to refinance debts or compensate applicants for their losses. Loans may be made to eligible oyster planters.

Emergency loans may also be made outside of designated areas to farmers who have been affected by disaster when the disaster affects only one or a few farms.

Loans are scheduled for repayment when income from the crop or livestock financed is normally received. The interest rate is 3 percent.

Watershed Loans

Watershed loans are made to local organizations to help finance projects that protect and develop land and water resources in small watersheds.

Loan funds may be used to pay the applicant's share of the cost of flood control dams and reser-

voirs, water supply reservoirs, rural water supply distribution, systems, diversion dams, irrigation canals, drainage facilities, recreation facilities, easements, and similar purposes.

Watershed loans are made payable over periods up to 50 years. The interest rate for loans made in fiscal 1970 is 3.342 percent.

Resource Conservation and Development Loans

Loans are available to public agencies and private nonprofit corporations for natural resource conservation and development including outdoor recreation facilities in designated areas. Such loans may be made for periods up to 30 years with repayment of principal and interest deferred up to five years if necessary. The interest rate for loans made in fiscal 1970 is 3.342 percent.

Economic Opportunity Loans

Economic opportunity loans are made to low-income farmers and other rural residents in open country and small rural communities with populations of not more than 5,500. Farmers may obtain loans to improve farming or develop and expand a small business or service. Other rural people may obtain loans to finance or expand small businesses and services. The loans are repayable over periods up to 15 years. A borrower's total principal indebtedness for economic opportunity loans may not exceed \$3,500.

Economic opportunity loans also are made to cooperatives serving low-income rural people and providing processing, purchasing or marketing services. The loans are repayable over 30 years.

Comprehensive Water and Sewer Plans

Grants are available to help communities which currently are without the resources to pay for the development of official comprehensive water and sewer plans in rural areas. Such plans promote efficient and orderly development of rural communities and provide information necessary to avoid overlapping, duplication, underdesign, or overdesign of community water and sewer facilities.

Technical Action Panels—Outreach Functions

Farmers Home Administration representatives serve on State, area and county Technical Action Panels. These panels help local leaders identify problems that are blocking economic and social growth and locate federal and state services that can be used in solving these problems. Technical Action Panels also provide technical assistance to rural areas development committees and other

locally organized groups to help local people use government programs to create jobs, fight poverty, build new businesses and industry, develop needed community facilities, replace substandard housing and carry out other measures that up-date and strengthen the local economy.

General Information

Each farm loan made by the Farmers Home Administration is based on a plan that when followed will provide enough income from the farm and other sources to enable the family to have a reasonable standard of living and make payments when due on their debts.

Technical assistance is provided borrowers in the planning and execution of all enterprises and projects financed by the agency.

Applications from veterans meeting other eligibility requirements receive preference.

Applications for loans are made at local county offices of the Farmers Home Administration, generally located at county-seat towns. A county or area committee of three farmers certifies eligibility of applicants and maximum amount of loan, and reviews borrowers' progress.

All loan applications are processed without regard to the race, color, creed or national origin of the applicant.

Loans made by the Farmers Home Administration are obtained from funds provided by private lenders on an insured basis and from collections on loans made in previous years.

Loans supplement and in no case compete with credit provided by other lenders.

Borrowers must agree to refinance loans with other lenders when they can do so.

Help is given applicants in determining their credit needs, working out debt repayment schedules, and solving other financial problems even though they may not be eligible for a loan.

Details on loans can be obtained from county FHA supervisors. If unable to locate local office, write Farmers Home Administration, Washington, D.C. 20250.

Revised August 1969

